

State of Arizona
House of Representatives
Forty-seventh Legislature
Second Regular Session
2006

HOUSE BILL 2371

AN ACT

AMENDING SECTION 11-292, ARIZONA REVISED STATUTES; AMENDING SECTION 36-341, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2004, CHAPTER 117, SECTION 8; REPEALING SECTION 36-341, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2004, CHAPTER 117, SECTION 9; AMENDING SECTION 36-341.01, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 5.1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-574; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2901.06; AMENDING SECTION 36-2903.01, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 29, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2921; AMENDING SECTIONS 36-2941, 36-2959 AND 36-3403, ARIZONA REVISED STATUTES; REPEALING SECTION 36-3415, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 34, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 36-3415; AMENDING SECTIONS 38-654 AND 41-1542, ARIZONA REVISED STATUTES; REPEALING LAWS 2004, CHAPTER 117, SECTIONS 12 AND 13; MAKING APPROPRIATIONS; RELATING TO HEALTH AND WELFARE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 11-292, Arizona Revised Statutes, is amended to
3 read:

4 11-292. Medical care: definition

5 A. The board of supervisors, subject to the applicable provisions of
6 title 42, chapter 17, articles 2 and 3, shall include in its annual budget an
7 amount equal to fifty per cent of the amount budgeted by the county board of
8 supervisors or the amount expended, whichever is less, for the
9 hospitalization and medical care of the indigent sick pursuant to this
10 article for fiscal year 1980-1981, except for Yuma and La Paz counties. The
11 contribution amounts of those counties shall be equal to the amount Yuma
12 county would have made pursuant to this subsection if a division had not
13 occurred apportioned between the counties. The office of the auditor general
14 shall determine the amount Yuma county would otherwise have included if a
15 division had not occurred and shall then determine the contribution amounts
16 of Yuma and La Paz counties based on the proportionate share of the estimated
17 population in these counties as of July 1, 1982.

18 B. For fiscal year 1994-1995, and for each fiscal year thereafter, the
19 state treasurer shall withhold an amount sufficient to meet the county
20 portion of the nonfederal costs of providing long-term care system services,
21 pursuant to title 36, chapter 29, article 2, excluding services to the
22 developmentally disabled, from monies otherwise payable to the county under
23 section 42-5029, subsection D, paragraph 2. This amount and the state
24 portion of the nonfederal costs shall be specified in the annual
25 appropriation for the maintenance and operation of the Arizona health care
26 cost containment system. For fiscal years 1994-1995, 1995-1996 and
27 1996-1997, monies shall be withheld from each county based on the following
28 percentages derived from a state auditor general's certified audit of fiscal
29 year 1987-1988 county long-term care and home health care expenditures,
30 except that amounts withheld shall be adjusted to reflect amounts paid by
31 counties pursuant to section 36-2952:

32 1. Apache:	0.22%
33 2. Cochise:	2.49%
34 3. Coconino:	0.66%
35 4. Gila:	2.56%
36 5. Graham:	0.64%
37 6. Greenlee:	0.34%
38 7. La Paz:	0.34%
39 8. Maricopa:	56.55%
40 9. Mohave:	2.73%
41 10. Navajo:	0.91%
42 11. Pima:	20.55%

1	12. Pinal:	5.09%
2	13. Santa Cruz:	1.05%
3	14. Yavapai:	3.12%
4	15. Yuma:	2.75%

5 C. In each fiscal year, of the total amount that is specified in the
6 annual appropriation as the nonfederal portion of the cost of providing
7 long-term care services **AND THAT PORTION OF THE PHASED-DOWN MEDICARE**
8 **PRESCRIPTION DRUG STATE CONTRIBUTION ATTRIBUTABLE TO THE ARIZONA LONG-TERM**
9 **CARE SYSTEM**, excluding services ~~to~~ **AND PHASED-DOWN MEDICARE PRESCRIPTION DRUG**
10 **STATE CONTRIBUTION COSTS ASSOCIATED WITH** the developmentally disabled, and
11 that represents an increase from the amount that was specified in the annual
12 appropriation for the prior fiscal year, the state shall pay fifty per cent
13 of the increase. The remaining nonfederal portion of the costs shall be
14 apportioned among the counties according to the proportion that each county's
15 net nonfederal expenditures for long-term care services, excluding services
16 to the developmentally disabled, bears to the total nonfederal expenditure
17 for all counties two fiscal years earlier, with the following adjustments in
18 the following order:

19 1. If the resulting net county contribution when expressed as an
20 imputed property tax rate per one hundred dollars of net assessed value
21 exceeds ninety cents, the county's contribution shall be reduced so that the
22 imputed property tax rate equals ninety cents and the difference shall be
23 paid by the state.

24 2. Any county with a native American population that represents at
25 least twenty per cent of the county's total population according to the most
26 recent United States decennial census shall contribute an amount equal to the
27 prior fiscal year's contribution plus fifty per cent of the difference
28 between the prior year's contribution were it calculated using the percentage
29 in subsection B of this section and the current year's contribution as if its
30 share of the total nonfederal portion of the long-term care costs had been
31 calculated using the percentage prescribed in subsection B of this section
32 and the state shall pay any difference from the amount otherwise required by
33 this subsection.

34 3. If, after making the adjustments in this subsection, a county would
35 contribute more than if its contribution were calculated using the percentage
36 prescribed in subsection B of this section multiplied by the total nonfederal
37 costs of long-term care services, excluding services to the developmentally
38 disabled, the county's contribution shall be reduced to the sum of its prior
39 year's contribution plus fifty per cent of the difference between the prior
40 year's contribution were it calculated using the percentage in subsection B
41 of this section and the current year's contribution as if its share of the
42 total nonfederal portion of long-term care costs had been calculated using
43 the percentage prescribed in subsection B of this section and the state shall
44 pay any difference from the amount otherwise required by this subsection.

1 D. The director of the Arizona health care cost containment system
2 administration shall notify each county of the amount determined pursuant to
3 subsection A of this section to be included in its annual budget no later
4 than May 1 of each year.

5 E. If a county does not provide funding as specified in subsection A
6 of this section, the state treasurer shall subtract the amount owed to the
7 Arizona health care cost containment system fund by the county from any
8 payments required to be made by the state treasurer to that county pursuant
9 to section 42-5029, subsection D, paragraph 2, plus interest on that amount
10 pursuant to section 44-1201 retroactive to the first day the funding was due.
11 If the monies the state treasurer withholds are insufficient to meet that
12 county's funding requirement as specified in subsection A of this section,
13 the state treasurer shall withhold from any other monies payable to that
14 county from whatever state funding source is available an amount necessary to
15 fulfill that county's requirement. The state treasurer shall not withhold
16 distributions from the highway user revenue fund pursuant to title 28,
17 chapter 18, article 2.

18 F. Each month payment of an amount equal to one-twelfth of the total
19 amount determined pursuant to subsection A of this section shall be made to
20 the state treasurer. ~~Beginning October 1, 1989,~~ Payment of this amount shall
21 be made to the state treasurer on or before the fifth day of each
22 month. Upon request from the director of the Arizona health care cost
23 containment system administration, the state treasurer shall require that up
24 to three months' payments be made in advance, if necessary.

25 G. The state treasurer shall deposit the amounts paid pursuant to
26 subsection F of this section and amounts withheld pursuant to subsection E of
27 this section in the Arizona health care cost containment system fund
28 established ~~pursuant to~~ BY section 36-2913.

29 H. If payments made pursuant to subsection F of this section exceed
30 the amount required to meet the costs incurred by the Arizona health care
31 cost containment system for the hospitalization and medical care of a person
32 who is defined as an eligible person pursuant to section 36-2901, paragraph
33 6, subdivision (a), the director of the Arizona health care cost containment
34 system administration may instruct the state treasurer either to reduce
35 remaining payments to be paid pursuant to this section by a specified amount
36 or to provide to the counties specified amounts from the Arizona health care
37 cost containment system fund.

38 I. The amount of the county contribution to the Arizona health care
39 cost containment system fund established ~~in~~ BY section 36-2913 shall not
40 exceed thirty-three per cent of the amount that the system administration
41 expended in the county for fiscal year 1983-1984. For the purposes of this
42 subsection, system administration expenditures in a county for fiscal year
43 1983-1984 are the total capitation and fee for service amounts paid by the
44 system administration to providers in a county before February 1, 1986 for

1 services rendered during fiscal year 1983-1984 to persons eligible for the
2 system.

3 J. The state treasurer shall deposit amounts withheld pursuant to
4 subsection E of this section in the Arizona health care cost containment
5 system fund established by section 36-2913.

6 K. The state treasurer shall deposit the monies withheld from the
7 counties and contributed by the state pursuant to subsection B of this
8 section in the long-term care system fund established by section 36-2913, in
9 twelve equal monthly installments. The monthly installments shall be
10 deposited in the fund by the state treasurer by the fourth working day of
11 each month.

12 L. By July 1 or within sixty days after enactment of the annual
13 appropriation for the maintenance and operation of the Arizona health care
14 cost containment system, whichever is later, and after consulting with the
15 joint legislative budget committee and the governor's office of strategic
16 planning and budgeting, the state treasurer shall notify each county of the
17 amount to be withheld pursuant to subsection B of this section.

18 M. If the monies deposited in the long-term care system fund pursuant
19 to subsection K of this section are insufficient to meet the funding
20 requirement as specified in the annual appropriation for the maintenance and
21 operation of the Arizona health care cost containment system pursuant to
22 subsection B of this section, the state treasurer shall withhold from any
23 other monies payable to that county from any available state funding source,
24 other than the highway user revenue fund, the amount required to fulfill
25 fifty per cent of the funding requirement and shall deposit the monies in the
26 long-term care system fund. The state shall pay the remaining fifty per cent
27 of the funding requirement.

28 N. If any monies in the funds for the purpose of title 36, chapter 29,
29 article 2 remain unexpended at the end of the fiscal year, the director of
30 the Arizona health care cost containment system administration shall specify
31 to the state treasurer the amount to be withdrawn from the long-term care
32 system fund. Of the amount specified, the state treasurer shall distribute
33 fifty per cent to the counties pursuant to subsection B or C of this section.
34 The remaining fifty per cent shall be distributed to the state.

35 O. The board of supervisors of a county that is a program contractor
36 pursuant to section 36-2940 shall include in its annual budget, subject to
37 title 42, chapter 17, articles 2 and 3, monies received from the Arizona
38 health care cost containment system fund and long-term care system fund for
39 the purposes of title 36, chapter 29, article 2.

40 P. Notwithstanding any law to the contrary, beginning in fiscal year
41 2005-2006 and in each fiscal year thereafter, the state treasurer shall
42 withhold a total of two million three hundred ninety-five thousand four
43 hundred dollars for the county contribution for the administrative costs of
44 implementing sections 36-2901.01 and 36-2901.04 beginning with the second
45 monthly distribution of transaction privilege tax revenues otherwise

1 distributable after subtracting any amounts withheld for the county long-term
2 care contribution. Beginning in fiscal year 2006-2007, the state treasurer
3 shall adjust the amount withheld according to the annual changes in the GDP
4 price deflator and as calculated by the joint legislative budget committee
5 staff. Beginning in fiscal year 2006-2007, the joint legislative budget
6 committee shall calculate an additional adjustment of the allocation required
7 by this subsection based on changes in the population as reported by the
8 department of economic security. For the purposes of this subsection, "GDP
9 price deflator" has the same meaning prescribed in section 41-563. Each
10 county's annual contribution is as follows:

- 11 1. Apache, 3.296 per cent.
- 12 2. Cochise, 6.148 per cent.
- 13 3. Coconino, 6.065 per cent.
- 14 4. Gila, 2.491 per cent.
- 15 5. Graham, ~~1.7110~~ 1.7710 per cent.
- 16 6. Greenlee, 0.455 per cent.
- 17 7. La Paz, 0.9430 per cent.
- 18 8. Mohave, 7.079 per cent.
- 19 9. Navajo, 4.640 per cent.
- 20 10. Pima, 42.168 per cent.
- 21 11. Pinal, 8.251 per cent.
- 22 12. Santa Cruz, 1.950 per cent.
- 23 13. Yavapai, 7.794 per cent.
- 24 14. Yuma, 6.949 per cent.

25 Q. The state treasurer shall deposit the amounts paid pursuant to
26 subsection P of this section in the budget neutrality compliance fund
27 established by section 36-2928.

28 R. For the purposes of this section, "net assessed value" includes the
29 values used to determine voluntary contributions collected pursuant to title
30 9, chapter 4, article 3 and title 48, chapter 1, article 8.

31 Sec. 2. Section 36-341, Arizona Revised Statutes, as added by Laws
32 2004, chapter 117, section 8, is amended to read:

33 36-341. Fees received by state and local registrars

34 A. The state registrar shall establish by rule the fees, if any, to be
35 charged for searches, copies of registered certificates, certified copies of
36 registered certificates, amending registered certificates and correcting
37 certificates THAT ARE PROCESSED BY THE DEPARTMENT. A LOCAL REGISTRAR MAY
38 ESTABLISH THE LOCAL REGISTRAR'S OWN FEES TO BE CHARGED FOR SEARCHES, COPIES
39 OF REGISTERED CERTIFICATES, CERTIFIED COPIES OF REGISTERED CERTIFICATES,
40 AMENDING REGISTERED CERTIFICATES AND CORRECTING CERTIFICATES AS DETERMINED
41 NECESSARY BY THE LOCAL ENTITY.

42 B. In addition to fees collected pursuant to subsection A of this
43 section, the state registrar shall assess an additional one dollar surcharge
44 on fees for all certified copies of registered birth certificates. The state
45 registrar shall deposit, pursuant to sections 35-146 and 35-147, all monies

1 received from the surcharge in the confidential intermediary and fiduciary
2 fund established by section 8-135.

3 C. The state registrar shall keep a true and accurate account of all
4 fees collected by the state registrar under this chapter and, ~~until July 1,~~
5 ~~2006,~~ shall deposit, pursuant to sections 35-146 and 35-147, forty per cent
6 of these monies in the vital records electronic systems fund established by
7 section 36-341.01 and the remaining sixty per cent in the state general
8 fund. ~~Beginning on July 1, 2006, the state registrar shall deposit, pursuant~~
9 ~~to sections 35-146 and 35-147, all of these monies in the state general fund.~~

10 D. A local registrar shall keep a true and accurate account of all
11 fees collected by the local registrar under this chapter and shall deposit
12 them with the county treasurer to be credited to a special registration and
13 statistical revenue account of the health department fund.

14 E. In addition to fees collected pursuant to subsection A of this
15 section, the department shall assess an additional one dollar surcharge on
16 fees for all certified copies of registered death certificates. The
17 department shall deposit, pursuant to sections 35-146 and 35-147, monies
18 received from the surcharge in the child fatality review fund established by
19 section 36-3504.

20 F. The state ~~registrar~~ AND LOCAL REGISTRARS may exempt an agency as
21 defined in section 41-1001 from any fee required by this section, section
22 8-135 or section 36-3504.

23 Sec. 3. Repeal

24 Section ~~36-341~~, Arizona Revised Statutes, as amended by Laws 2004,
25 chapter 117, section 9, is repealed.

26 Sec. 4. Section 36-341.01, Arizona Revised Statutes, is amended to
27 read:

28 36-341.01. Vital records electronic systems fund; purpose:
29 nonlapsing

30 A. The vital records electronic systems fund is established consisting
31 of monies collected pursuant to section 36-341. The director shall
32 administer the fund. The director shall use fund monies for costs associated
33 with the vital records automation system.

34 B. Fund monies:

35 1. Do not revert to the state general fund.

36 ~~2. Are exempt from the provisions of section 35-190 relating to~~
37 ~~lapsing of appropriations.~~

38 ~~3. Are continuously appropriated.~~

39 2. ARE SUBJECT TO LEGISLATIVE APPROPRIATION.

40 C. On notice from the director, the state treasurer shall invest and
41 divest the monies in the fund as provided by section 35-313, and monies
42 earned from investment shall be credited to the fund.

1 Sec. 5. Title 36, chapter 5.1, article 1, Arizona Revised Statutes, is
2 amended by adding section 36-574, to read:

3 36-574. Children's autism services; contract

4 SUBJECT TO LEGISLATIVE APPROPRIATION, IN ADDITION TO ANY EXISTING
5 AUTISM SERVICES, THE DEPARTMENT MAY PROVIDE CHILDREN'S AUTISM SERVICES
6 THROUGH THE DIVISION OF DEVELOPMENTAL DISABILITIES TO SERVE CHILDREN WHO
7 HAVE, OR WHO ARE AT RISK OF HAVING, AUTISM BY ENTERING INTO A CONTRACT WITH
8 ANY ORGANIZATION FOR TRAINING AND OVERSIGHT OF HABILITATION WORKERS TO
9 UTILIZE INTENSIVE BEHAVIORAL TREATMENT THROUGH APPLIED BEHAVIORAL ANALYSIS.

10 Sec. 6. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
11 amended by adding section 36-2901.06, to read:

12 36-2901.06. Capitation rate adjustments; limitation

13 CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF EXISTING
14 SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR EXPANSION
15 OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

16 Sec. 7. Section 36-2903.01, Arizona Revised Statutes, is amended to
17 read:

18 36-2903.01. Additional powers and duties

19 A. The director of the Arizona health care cost containment system
20 administration may adopt rules that provide that the system may withhold or
21 forfeit payments to be made to a noncontracting provider by the system if the
22 noncontracting provider fails to comply with this article, the provider
23 agreement or rules that are adopted pursuant to this article and that relate
24 to the specific services rendered for which a claim for payment is made.

25 B. The director shall:

26 1. Prescribe uniform forms to be used by all contractors. The rules
27 shall require a written and signed application by the applicant or an
28 applicant's authorized representative, or, if the person is incompetent or
29 incapacitated, a family member or a person acting responsibly for the
30 applicant may obtain a signature or a reasonable facsimile and file the
31 application as prescribed by the administration.

32 2. Enter into an interagency agreement with the department to
33 establish a streamlined eligibility process to determine the eligibility of
34 all persons defined pursuant to section 36-2901, paragraph 6, subdivision
35 (a). At the administration's option, the interagency agreement may allow the
36 administration to determine the eligibility of certain persons including
37 those defined pursuant to section 36-2901, paragraph 6, subdivision (a).

38 3. Enter into an intergovernmental agreement with the department to:

39 (a) Establish an expedited eligibility and enrollment process for all
40 persons who are hospitalized at the time of application.

41 (b) Establish performance measures and incentives for the department.

42 (c) Establish the process for management evaluation reviews that the
43 administration shall perform to evaluate the eligibility determination
44 functions performed by the department.

1 (d) Establish eligibility quality control reviews by the
2 administration.

3 (e) Require the department to adopt rules, consistent with the rules
4 adopted by the administration for a hearing process, that applicants or
5 members may use for appeals of eligibility determinations or
6 redeterminations.

7 (f) Establish the department's responsibility to place sufficient
8 eligibility workers at federally qualified health centers to screen for
9 eligibility and at hospital sites and level one trauma centers to ensure that
10 persons seeking hospital services are screened on a timely basis for
11 eligibility for the system, including a process to ensure that applications
12 for the system can be accepted on a twenty-four hour basis, seven days a
13 week.

14 (g) Withhold payments based on the allowable sanctions for errors in
15 eligibility determinations or redeterminations or failure to meet performance
16 measures required by the intergovernmental agreement.

17 (h) Recoup from the department all federal fiscal sanctions that
18 result from the department's inaccurate eligibility determinations. The
19 director may offset all or part of a sanction if the department submits a
20 corrective action plan and a strategy to remedy the error.

21 4. By rule establish a procedure and time frames for the intake of
22 grievances and requests for hearings, for the continuation of benefits and
23 services during the appeal process and for a grievance process at the
24 contractor level. Notwithstanding sections 41-1092.02, 41-1092.03 and
25 41-1092.05, the administration shall develop rules to establish the procedure
26 and time frame for the informal resolution of grievances and appeals. A
27 grievance that is not related to a claim for payment of system covered
28 services shall be filed in writing with and received by the administration or
29 the prepaid capitated provider or program contractor not later than sixty
30 days after the date of the adverse action, decision or policy implementation
31 being grieved. A grievance that is related to a claim for payment of system
32 covered services must be filed in writing and received by the administration
33 or the prepaid capitated provider or program contractor within twelve months
34 after the date of service, within twelve months after the date that
35 eligibility is posted or within sixty days after the date of the denial of a
36 timely claim submission, whichever is later. A grievance for the denial of a
37 claim for reimbursement of services may contest the validity of any adverse
38 action, decision, policy implementation or rule that related to or resulted
39 in the full or partial denial of the claim. A policy implementation may be
40 subject to a grievance procedure, but it may not be appealed for a hearing.
41 The administration is not required to participate in a mandatory settlement
42 conference if it is not a real party in interest. In any proceeding before
43 the administration, including a grievance or hearing, persons may represent
44 themselves or be represented by a duly authorized agent who is not charging a
45 fee. A legal entity may be represented by an officer, partner or employee

1 who is specifically authorized by the legal entity to represent it in the
2 particular proceeding.

3 5. Apply for and accept federal funds available under title XIX of the
4 social security act (P.L. 89-97; 79 Stat. 344; 42 United States Code section
5 1396 (1980)) in support of the system. The application made by the director
6 pursuant to this paragraph shall be designed to qualify for federal funding
7 primarily on a prepaid capitated basis. Such funds may be used only for the
8 support of persons defined as eligible pursuant to title XIX of the social
9 security act or the approved section 1115 waiver.

10 6. At least thirty days before the implementation of a policy or a
11 change to an existing policy relating to reimbursement, provide notice to
12 interested parties. Parties interested in receiving notification of policy
13 changes shall submit a written request for notification to the
14 administration.

15 C. The director is authorized to apply for any federal funds available
16 for the support of programs to investigate and prosecute violations arising
17 from the administration and operation of the system. Available state funds
18 appropriated for the administration and operation of the system may be used
19 as matching funds to secure federal funds pursuant to this subsection.

20 D. The director may adopt rules or procedures to do the following:

21 1. Authorize advance payments based on estimated liability to a
22 contractor or a noncontracting provider after the contractor or
23 noncontracting provider has submitted a claim for services and before the
24 claim is ultimately resolved. The rules shall specify that any advance
25 payment shall be conditioned on the execution before payment of a contract
26 with the contractor or noncontracting provider that requires the
27 administration to retain a specified percentage, which shall be at least
28 twenty per cent, of the claimed amount as security and that requires
29 repayment to the administration if the administration makes any overpayment.

30 2. Defer liability, in whole or in part, of contractors for care
31 provided to members who are hospitalized on the date of enrollment or under
32 other circumstances. Payment shall be on a capped fee-for-service basis for
33 services other than hospital services and at the rate established pursuant to
34 subsection G or H of this section for hospital services or at the rate paid
35 by the health plan, whichever is less.

36 3. Deputize, in writing, any qualified officer or employee in the
37 administration to perform any act that the director by law is empowered to do
38 or charged with the responsibility of doing, including the authority to issue
39 final administrative decisions pursuant to section 41-1092.08.

40 4. Notwithstanding any other law, require persons eligible pursuant to
41 section 36-2901, paragraph 6, subdivision (a), section 36-2931, paragraph 5
42 and section 36-2981, paragraph 6 to be financially responsible for any cost
43 sharing requirements established in a state plan or a section 1115 waiver and
44 approved by the centers for medicare and medicaid services. Cost sharing
45 requirements may include copayments, coinsurance, deductibles, enrollment

1 fees and monthly premiums for enrolled members, including households with
2 children enrolled in the Arizona long-term care system.

3 E. The director shall adopt rules which further specify the medical
4 care and hospital services which are covered by the system pursuant to
5 section 36-2907.

6 F. In addition to the rules otherwise specified in this article, the
7 director may adopt necessary rules pursuant to title 41, chapter 6 to carry
8 out this article. Rules adopted by the director pursuant to this subsection
9 shall consider the differences between rural and urban conditions on the
10 delivery of hospitalization and medical care.

11 G. For inpatient hospital admissions and all outpatient hospital
12 services before March 1, 1993, the administration shall reimburse a
13 hospital's adjusted billed charges according to the following procedures:

14 1. The director shall adopt rules that, for services rendered from and
15 after September 30, 1985 until October 1, 1986, define "adjusted billed
16 charges" as that reimbursement level that has the effect of holding constant
17 whichever of the following is applicable:

18 (a) The schedule of rates and charges for a hospital in effect on
19 April 1, 1984 as filed pursuant to chapter 4, article 3 of this title.

20 (b) The schedule of rates and charges for a hospital that became
21 effective after May 31, 1984 but before July 2, 1984, if the hospital's
22 previous rate schedule became effective before April 30, 1983.

23 (c) The schedule of rates and charges for a hospital that became
24 effective after May 31, 1984 but before July 2, 1984, limited to five per
25 cent over the hospital's previous rate schedule, and if the hospital's
26 previous rate schedule became effective on or after April 30, 1983 but before
27 October 1, 1983. For the purposes of this paragraph, "constant" means equal
28 to or lower than.

29 2. The director shall adopt rules that, for services rendered from and
30 after September 30, 1986, define "adjusted billed charges" as that
31 reimbursement level that has the effect of increasing by four per cent a
32 hospital's reimbursement level in effect on October 1, 1985 as prescribed in
33 paragraph 1 of this subsection. Beginning January 1, 1991, the Arizona
34 health care cost containment system administration shall define "adjusted
35 billed charges" as the reimbursement level determined pursuant to this
36 section, increased by two and one-half per cent.

37 3. In no event shall a hospital's adjusted billed charges exceed the
38 hospital's schedule of rates and charges filed with the department of health
39 services and in effect pursuant to chapter 4, article 3 of this title.

40 4. For services rendered the administration shall not pay a hospital's
41 adjusted billed charges in excess of the following:

42 (a) If the hospital's bill is paid within thirty days of the date the
43 bill was received, eighty-five per cent of the adjusted billed charges.

1 (b) If the hospital's bill is paid any time after thirty days but
2 within sixty days of the date the bill was received, ninety-five per cent of
3 the adjusted billed charges.

4 (c) If the hospital's bill is paid any time after sixty days of the
5 date the bill was received, one hundred per cent of the adjusted billed
6 charges.

7 5. The director shall define by rule the method of determining when a
8 hospital bill will be considered received and when a hospital's billed
9 charges will be considered paid. Payment received by a hospital from the
10 administration pursuant to this subsection or from a contractor either by
11 contract or pursuant to section 36-2904, subsection I shall be considered
12 payment of the hospital bill in full, except that a hospital may collect any
13 unpaid portion of its bill from other third party payors or in situations
14 covered by title 33, chapter 7, article 3.

15 H. For inpatient hospital admissions and outpatient hospital services
16 on and after March 1, 1993 the administration shall adopt rules for the
17 reimbursement of hospitals according to the following procedures:

18 1. For inpatient hospital stays, the administration shall use a
19 prospective tiered per diem methodology, using hospital peer groups if
20 analysis shows that cost differences can be attributed to independently
21 definable features that hospitals within a peer group share. In peer
22 grouping the administration may consider such factors as length of stay
23 differences and labor market variations. If there are no cost differences,
24 the administration shall implement a stop loss-stop gain or similar
25 mechanism. Any stop loss-stop gain or similar mechanism shall ensure that
26 the tiered per diem rates assigned to a hospital do not represent less than
27 ninety per cent of its 1990 base year costs or more than one hundred ten per
28 cent of its 1990 base year costs, adjusted by an audit factor, during the
29 period of March 1, 1993 through September 30, 1994. The tiered per diem
30 rates set for hospitals shall represent no less than eighty-seven and
31 one-half per cent or more than one hundred twelve and one-half per cent of
32 its 1990 base year costs, adjusted by an audit factor, from October 1, 1994
33 through September 30, 1995 and no less than eighty-five per cent or more than
34 one hundred fifteen per cent of its 1990 base year costs, adjusted by an
35 audit factor, from October 1, 1995 through September 30, 1996. For the
36 periods after September 30, 1996 no stop loss-stop gain or similar mechanisms
37 shall be in effect. An adjustment in the stop loss-stop gain percentage may
38 be made to ensure that total payments do not increase as a result of this
39 provision. If peer groups are used the administration shall establish
40 initial peer group designations for each hospital before implementation of
41 the per diem system. The administration may also use a negotiated rate
42 methodology. The tiered per diem methodology may include separate
43 consideration for specialty hospitals that limit their provision of services
44 to specific patient populations, such as rehabilitative patients or children.
45 The initial per diem rates shall be based on hospital claims and encounter

1 data for dates of service November 1, 1990 through October 31, 1991 and
2 processed through May of 1992.

3 2. For rates effective on October 1, 1994, and annually thereafter,
4 the administration shall adjust tiered per diem payments for inpatient
5 hospital care by the data resources incorporated market basket index for
6 prospective payment system hospitals. For rates effective beginning on
7 October 1, 1999, the administration shall adjust payments to reflect changes
8 in length of stay for the maternity and nursery tiers.

9 3. Through June 30, 2004, for outpatient hospital services, the
10 administration shall reimburse a hospital by applying a hospital specific
11 outpatient cost-to-charge ratio to the covered charges. Beginning on July 1,
12 2004 through June 30, 2005, the administration shall reimburse a hospital by
13 applying a hospital specific outpatient cost-to-charge ratio to covered
14 charges. If the hospital increases its charges for outpatient services filed
15 with the Arizona department of health services pursuant to chapter 4, article
16 3 of this title, by more than 4.7 per cent for dates of service effective on
17 or after July 1, 2004, the hospital specific cost-to-charge ratio will be
18 reduced by the amount that it exceeds 4.7 per cent. If charges exceed 4.7
19 per cent, the effective date of the increased charges will be the effective
20 date of the adjusted Arizona health care cost containment system
21 cost-to-charge ratio. The administration shall develop the methodology for a
22 capped fee-for-service schedule and a statewide cost-to-charge ratio. Any
23 covered outpatient service not included in the capped fee-for-service
24 schedule shall be reimbursed by applying the statewide cost-to-charge ratio
25 that is based on the services not included in the capped fee-for-service
26 schedule. Beginning on July 1, 2005, the administration shall reimburse
27 clean claims with dates of service on or after July 1, 2005, based on the
28 capped fee-for-service schedule or the statewide cost-to-charge ratio
29 established pursuant to this paragraph. The administration may make
30 additional adjustments to the outpatient hospital rates established pursuant
31 to this section based on other factors, including the number of beds in the
32 hospital, specialty services available to patients and the geographic
33 location of the hospital.

34 4. Except if submitted under an electronic claims submission system, a
35 hospital bill is considered received for purposes of this paragraph on
36 initial receipt of the legible, error-free claim form by the administration
37 if the claim includes the following error-free documentation in legible form:

- 38 (a) An admission face sheet.
- 39 (b) An itemized statement.
- 40 (c) An admission history and physical.
- 41 (d) A discharge summary or an interim summary if the claim is split.
- 42 (e) An emergency record, if admission was through the emergency room.
- 43 (f) Operative reports, if applicable.
- 44 (g) A labor and delivery room report, if applicable.

1 Payment received by a hospital from the administration pursuant to this
2 subsection or from a contractor either by contract or pursuant to section
3 36-2904, subsection I is considered payment by the administration or the
4 contractor of the administration's or contractor's liability for the hospital
5 bill. A hospital may collect any unpaid portion of its bill from other third
6 party payors or in situations covered by title 33, chapter 7, article 3.

7 5. For services rendered on and after October 1, 1997, the
8 administration shall pay a hospital's rate established according to this
9 section subject to the following:

10 (a) If the hospital's bill is paid within thirty days of the date the
11 bill was received, the administration shall pay ninety-nine per cent of the
12 rate.

13 (b) If the hospital's bill is paid after thirty days but within sixty
14 days of the date the bill was received, the administration shall pay one
15 hundred per cent of the rate.

16 (c) If the hospital's bill is paid any time after sixty days of the
17 date the bill was received, the administration shall pay one hundred per cent
18 of the rate plus a fee of one per cent per month for each month or portion of
19 a month following the sixtieth day of receipt of the bill until the date of
20 payment.

21 6. In developing the reimbursement methodology, if a review of the
22 reports filed by a hospital pursuant to section 36-125.04 indicates that
23 further investigation is considered necessary to verify the accuracy of the
24 information in the reports, the administration may examine the hospital's
25 records and accounts related to the reporting requirements of section
26 36-125.04. The administration shall bear the cost incurred in connection
27 with this examination unless the administration finds that the records
28 examined are significantly deficient or incorrect, in which case the
29 administration may charge the cost of the investigation to the hospital
30 examined.

31 7. Except for privileged medical information, the administration shall
32 make available for public inspection the cost and charge data and the
33 calculations used by the administration to determine payments under the
34 tiered per diem system, provided that individual hospitals are not identified
35 by name. The administration shall make the data and calculations available
36 for public inspection during regular business hours and shall provide copies
37 of the data and calculations to individuals requesting such copies within
38 thirty days of receipt of a written request. The administration may charge a
39 reasonable fee for the provision of the data or information.

40 8. The prospective tiered per diem payment methodology for inpatient
41 hospital services shall include a mechanism for the prospective payment of
42 inpatient hospital capital related costs. The capital payment shall include
43 hospital specific and statewide average amounts. For tiered per diem rates
44 beginning on October 1, 1999, the capital related cost component is frozen at
45 the blended rate of forty per cent of the hospital specific capital cost and

1 sixty per cent of the statewide average capital cost in effect as of January
2 1, 1999 and as further adjusted by the calculation of tier rates for
3 maternity and nursery as prescribed by law. The administration shall adjust
4 the capital related cost component by the data resources incorporated market
5 basket index for prospective payment system hospitals.

6 9. FOR GRADUATE MEDICAL EDUCATION PROGRAMS:

7 (a) Beginning September 30, 1997, the administration shall establish a
8 separate graduate medical education program to reimburse hospitals that had
9 graduate medical education programs that were approved by the administration
10 as of October 1, 1999. The administration shall separately account for
11 monies for the graduate medical education program based on the total
12 reimbursement for graduate medical education reimbursed to hospitals by the
13 system in federal fiscal year 1995-1996 pursuant to the tiered per diem
14 methodology specified in this section. The graduate medical education
15 program reimbursement shall be adjusted annually by the increase or decrease
16 in the index published by the ~~data-resources-incorporated~~ GLOBAL INSIGHT
17 hospital market basket index for prospective hospital reimbursement. Subject
18 to legislative appropriation, on an annual basis, each qualified hospital
19 shall receive a single payment from the graduate medical education program
20 that is equal to the same percentage of graduate medical education
21 reimbursement that was paid by the system in federal fiscal year 1995-1996.
22 Any reimbursement for graduate medical education made by the administration
23 shall not be subject to future settlements or appeals by the hospitals to the
24 administration. THE MONIES AVAILABLE UNDER THIS SUBDIVISION SHALL NOT EXCEED
25 THE FISCAL YEAR 2005-2006 APPROPRIATION ADJUSTED ANNUALLY BY THE INCREASE OR
26 DECREASE IN THE INDEX PUBLISHED BY THE GLOBAL INSIGHT HOSPITAL MARKET BASKET
27 INDEX FOR PROSPECTIVE HOSPITAL REIMBURSEMENT, EXCEPT FOR MONIES DISTRIBUTED
28 FOR EXPANSIONS PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH.

29 (b) BEGINNING JULY 1, 2006, THE ADMINISTRATION SHALL DISTRIBUTE ANY
30 MONIES APPROPRIATED FOR GRADUATE MEDICAL EDUCATION ABOVE THE AMOUNT
31 PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH IN THE FOLLOWING ORDER OR
32 PRIORITY:

33 (i) FOR THE DIRECT COSTS TO SUPPORT THE EXPANSION OF GRADUATE MEDICAL
34 EDUCATION PROGRAMS ESTABLISHED BETWEEN OCTOBER 2, 1999 AND JULY 1, 2006 AT
35 HOSPITALS THAT DO NOT RECEIVE PAYMENTS PURSUANT TO SUBDIVISION (a) OF THIS
36 PARAGRAPH. THESE PROGRAMS MUST BE APPROVED BY THE ADMINISTRATION.

37 (ii) FOR THE DIRECT COSTS TO SUPPORT THE EXPANSION OF GRADUATE MEDICAL
38 EDUCATION PROGRAMS ESTABLISHED ON OR BEFORE OCTOBER 1, 1999. THESE PROGRAMS
39 MUST BE APPROVED BY THE ADMINISTRATION.

40 (iii) FOR THE DIRECT COSTS OF GRADUATE MEDICAL EDUCATION PROGRAMS
41 ESTABLISHED ON OR AFTER JULY 1, 2006. THESE PROGRAMS MUST BE APPROVED BY THE
42 ADMINISTRATION.

43 (c) THE ADMINISTRATION SHALL DEVELOP, BY RULE, THE FORMULA BY WHICH
44 THE MONIES ARE DISTRIBUTED.

1 (d) EACH GRADUATE MEDICAL EDUCATION PROGRAM THAT RECEIVES FUNDING
2 PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH SHALL IDENTIFY AND REPORT TO
3 THE ADMINISTRATION THE NUMBER OF NEW RESIDENCY POSITIONS CREATED BY THE
4 FUNDING PROVIDED IN THIS PARAGRAPH, INCLUDING POSITIONS IN RURAL AREAS. THE
5 ADMINISTRATION SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE BY
6 FEBRUARY 1 OF EACH YEAR ON THE NUMBER OF NEW RESIDENCY POSITIONS AS REPORTED
7 BY THE GRADUATE MEDICAL EDUCATION PROGRAMS.

8 (e) FOR THE PURPOSES OF THIS PARAGRAPH, "GRADUATE MEDICAL EDUCATION
9 PROGRAM" MEANS A PROGRAM, INCLUDING AN APPROVED FELLOWSHIP, THAT PREPARES A
10 PHYSICIAN FOR THE INDEPENDENT PRACTICE OF MEDICINE BY PROVIDING DIDACTIC AND
11 CLINICAL EDUCATION IN A MEDICAL DISCIPLINE TO A MEDICAL STUDENT WHO HAS
12 COMPLETED A RECOGNIZED UNDERGRADUATE MEDICAL EDUCATION PROGRAM.

13 10. The prospective tiered per diem payment methodology for inpatient
14 hospital services may include a mechanism for the payment of claims with
15 extraordinary operating costs per day. For tiered per diem rates effective
16 beginning on October 1, 1999, outlier cost thresholds are frozen at the
17 levels in effect on January 1, 1999 and adjusted annually by the
18 administration by the data resources incorporated market basket index for
19 prospective payment system hospitals.

20 11. Notwithstanding section 41-1005, subsection A, paragraph 9, the
21 administration shall adopt rules pursuant to title 41, chapter 6 establishing
22 the methodology for determining the prospective tiered per diem payments.

23 I. The director may adopt rules that specify enrollment procedures
24 including notice to contractors of enrollment. The rules may provide for
25 varying time limits for enrollment in different situations. The
26 administration shall specify in contract when a person who has been
27 determined eligible will be enrolled with that contractor and the date on
28 which the contractor will be financially responsible for health and medical
29 services to the person.

30 J. The administration may make direct payments to hospitals for
31 hospitalization and medical care provided to a member in accordance with this
32 article and rules. The director may adopt rules to establish the procedures
33 by which the administration shall pay hospitals pursuant to this subsection
34 if a contractor fails to make timely payment to a hospital. Such payment
35 shall be at a level determined pursuant to section 36-2904, subsection H or
36 I. The director may withhold payment due to a contractor in the amount of
37 any payment made directly to a hospital by the administration on behalf of a
38 contractor pursuant to this subsection.

39 K. The director shall establish a special unit within the
40 administration for the purpose of monitoring the third party payment
41 collections required by contractors and noncontracting providers pursuant to
42 section 36-2903, subsection B, paragraph 10 and subsection F and section
43 36-2915, subsection E. The director shall determine by rule:

44 1. The type of third party payments to be monitored pursuant to this
45 subsection.

1 2. The percentage of third party payments that is collected by a
2 contractor or noncontracting provider and that the contractor or
3 noncontracting provider may keep and the percentage of such payments that the
4 contractor or noncontracting provider may be required to pay to the
5 administration. Contractors and noncontracting providers must pay to the
6 administration one hundred per cent of all third party payments that are
7 collected and that duplicate administration fee-for-service payments. A
8 contractor that contracts with the administration pursuant to section
9 36-2904, subsection A may be entitled to retain a percentage of third party
10 payments if the payments collected and retained by a contractor are reflected
11 in reduced capitation rates. A contractor may be required to pay the
12 administration a percentage of third party payments that are collected by a
13 contractor and that are not reflected in reduced capitation rates.

14 L. The administration shall establish procedures to apply to the
15 following if a provider that has a contract with a contractor or
16 noncontracting provider seeks to collect from an individual or financially
17 responsible relative or representative a claim that exceeds the amount that
18 is reimbursed or should be reimbursed by the system:

19 1. On written notice from the administration or oral or written notice
20 from a member that a claim for covered services may be in violation of this
21 section, the provider that has a contract with a contractor or noncontracting
22 provider shall investigate the inquiry and verify whether the person was
23 eligible for services at the time that covered services were provided. If
24 the claim was paid or should have been paid by the system, the provider that
25 has a contract with a contractor or noncontracting provider shall not
26 continue billing the member.

27 2. If the claim was paid or should have been paid by the system and
28 the disputed claim has been referred for collection to a collection agency or
29 referred to a credit reporting bureau, the provider that has a contract with
30 a contractor or noncontracting provider shall:

31 (a) Notify the collection agency and request that all attempts to
32 collect this specific charge be terminated immediately.

33 (b) Advise all credit reporting bureaus that the reported delinquency
34 was in error and request that the affected credit report be corrected to
35 remove any notation about this specific delinquency.

36 (c) Notify the administration and the member that the request for
37 payment was in error and that the collection agency and credit reporting
38 bureaus have been notified.

39 3. If the administration determines that a provider that has a
40 contract with a contractor or noncontracting provider has billed a member for
41 charges that were paid or should have been paid by the administration, the
42 administration shall send written notification by certified mail or other
43 service with proof of delivery to the provider that has a contract with a
44 contractor or noncontracting provider stating that this billing is in
45 violation of federal and state law. If, twenty-one days or more after

1 receiving the notification, a provider that has a contract with a contractor
2 or noncontracting provider knowingly continues billing a member for charges
3 that were paid or should have been paid by the system, the administration may
4 assess a civil penalty in an amount equal to three times the amount of the
5 billing and reduce payment to the provider that has a contract with a
6 contractor or noncontracting provider accordingly. Receipt of delivery
7 signed by the addressee or the addressee's employee is prima facie evidence
8 of knowledge. Civil penalties collected pursuant to this subsection shall be
9 deposited in the state general fund. Section 36-2918, subsections C, D and
10 F, relating to the imposition, collection and enforcement of civil penalties,
11 ~~applies~~ APPLY to civil penalties imposed pursuant to this paragraph.

12 M. The administration may conduct postpayment review of all claims
13 paid by the administration and may recoup any monies erroneously paid. The
14 director may adopt rules that specify procedures for conducting postpayment
15 review. A contractor may conduct a postpayment review of all claims paid by
16 the contractor and may recoup monies that are erroneously paid.

17 N. The director or the director's designee may employ and supervise
18 personnel necessary to assist the director in performing the functions of the
19 administration.

20 O. The administration may contract with contractors for obstetrical
21 care who are eligible to provide services under title XIX of the social
22 security act.

23 P. Notwithstanding any law to the contrary, on federal approval the
24 administration may make disproportionate share payments to private hospitals,
25 county operated hospitals, including hospitals owned or leased by a special
26 health care district, and state operated institutions for mental disease
27 beginning October 1, 1991 in accordance with federal law and subject to
28 legislative appropriation. If at any time the administration receives
29 written notification from federal authorities of any change or difference in
30 the actual or estimated amount of federal funds available for
31 disproportionate share payments from the amount reflected in the legislative
32 appropriation for such purposes, the administration shall provide written
33 notification of such change or difference to the president and the minority
34 leader of the senate, the speaker and the minority leader of the house of
35 representatives, the director of the joint legislative budget committee, the
36 legislative committee of reference and any hospital trade association within
37 this state, within three working days not including weekends after receipt of
38 the notice of the change or difference. In calculating disproportionate
39 share payments as prescribed in this section, the administration may use
40 either a methodology based on claims and encounter data that is submitted to
41 the administration from contractors or a methodology based on data that is
42 reported to the administration by private hospitals and state operated
43 institutions for mental disease. The selected methodology applies to all
44 private hospitals and state operated institutions for mental disease
45 qualifying for disproportionate share payments.

1 Q. Notwithstanding any law to the contrary, the administration may
2 receive confidential adoption information to determine whether an adopted
3 child should be terminated from the system.

4 R. The adoption agency or the adoption attorney shall notify the
5 administration within thirty days after an eligible person receiving services
6 has placed that person's child for adoption.

7 S. If the administration implements an electronic claims submission
8 system it may adopt procedures pursuant to subsection H of this section
9 requiring documentation different than prescribed under subsection H,
10 paragraph 4 of this section.

11 Sec. 8. Title 36, chapter 29, article 1, Arizona Revised Statutes, is
12 amended by adding section 36-2921, to read:

13 36-2921. Hospital loan program; residencies; fund; program
14 termination

15 A. THE ADMINISTRATION SHALL ESTABLISH A HOSPITAL LOAN PROGRAM TO FUND
16 START-UP AND ONGOING COSTS FOR RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS.

17 B. HOSPITALS RECEIVING LOANS PURSUANT TO SUBSECTION C OF THIS SECTION
18 MUST PARTNER WITH ARIZONA-BASED ACCREDITED ALLOPATHIC OR OSTEOPATHIC MEDICAL
19 SCHOOLS. RESIDENCY PROGRAMS AT HOSPITALS RECEIVING LOANS PURSUANT TO
20 SUBSECTION C OF THIS SECTION MAY ACCEPT RESIDENTS FROM IN-STATE OR
21 OUT-OF-STATE PUBLIC OR PRIVATE MEDICAL SCHOOLS.

22 C. INTEREST-FREE LOANS MAY BE PROVIDED IN AN AMOUNT OF UP TO FIVE
23 HUNDRED THOUSAND DOLLARS PER YEAR FOR ONE HOSPITAL PER COUNTY IF THE HOSPITAL
24 ESTABLISHES A NEW RESIDENCY PROGRAM OF AT LEAST SIX RESIDENTS OR ADDS A NEW
25 SPECIALTY AREA TO AN EXISTING RESIDENCY PROGRAM WITH AT LEAST FOUR NEW
26 RESIDENTS.

27 D. THE ADMINISTRATION SHALL DISTRIBUTE LOANS IN THE FOLLOWING ORDER OF
28 PRIORITY:

29 1. FOR NEW OR EXPANDED RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS IN
30 COUNTIES WITH A POPULATION OF LESS THAN FIVE HUNDRED THOUSAND PERSONS THAT
31 SUBMIT LOAN APPLICATIONS ON OR BEFORE SEPTEMBER 1, 2007.

32 2. FOR NEW OR EXPANDED RESIDENCY PROGRAMS IN ACCREDITED HOSPITALS IN
33 ANY COUNTY.

34 E. REPAYMENT OF LOANS SHALL BEGIN EITHER AT THE TIME FEDERAL
35 REIMBURSEMENTS FOR GRADUATE MEDICAL EDUCATION PURSUANT TO TITLE XVIII AND
36 TITLE XIX OF THE SOCIAL SECURITY ACT BEGIN OR FIVE YEARS AFTER THE DATE OF
37 THE LOAN, WHICHEVER IS EARLIER, AND SHALL BE COMPLETED NO MORE THAN TEN YEARS
38 AFTER THE DATE OF THE LOAN.

39 F. THE HOSPITAL LOAN RESIDENCY FUND IS ESTABLISHED CONSISTING OF
40 LEGISLATIVE APPROPRIATIONS AND LOAN REPAYMENT MONIES. THE DIRECTOR SHALL
41 ADMINISTER THE FUND. MONIES IN THE FUND ARE EXEMPT FROM THE PROVISIONS OF
42 SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

43 G. THE PROGRAM ESTABLISHED BY THIS SECTION ENDS ON JULY 1, 2017
44 PURSUANT TO SECTION 41-3102.

1 Sec. 9. Section 36-2941, Arizona Revised Statutes, is amended to read:
2 36-2941. Establishment of capitation rates

3 A. The administration shall establish capitation rates based on an
4 actuarial study for the department. The capitation rate shall be based on
5 the estimated cost of providing services pursuant to this article to members
6 who have been determined eligible pursuant to section 36-2933.

7 B. At least thirty days before finalizing the capitation rates, the
8 administration shall send written notice of the proposed capitation rates to
9 the department.

10 C. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF
11 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR
12 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

13 Sec. 10. Section 36-2959, Arizona Revised Statutes, is amended to
14 read:

15 36-2959. Reimbursement rates; capitation rates; annual review

16 A. The department shall contract with an independent consulting firm
17 for an annual study of the adequacy and appropriateness of title XIX
18 reimbursement rates to service providers for the developmentally disabled
19 program of both the Arizona long-term care system and the state only program.
20 The consultant shall also include a recommendation for annual inflationary
21 costs. The department may require, and the department's contracted providers
22 shall provide, financial data to the department in the format prescribed by
23 the department to assist in the study. A complete study of reimbursement
24 rates shall be completed no less than once every five years.

25 B. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF
26 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR
27 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

28 ~~B.~~ C. The administration shall contract with an independent
29 consulting firm for an annual study of the adequacy and appropriateness of
30 title XIX reimbursement rates to service providers for the elderly and
31 physically disabled program of the Arizona long-term care system. The
32 administration may require, and the administration's contracted providers
33 shall provide, financial data to the administration in the format prescribed
34 by the administration to assist in the study. A complete study of
35 reimbursement rates shall be completed no less than once every five years.
36 In determining the adequacy of the rates in the five year study, the
37 consulting firm shall examine in detail the costs associated with the
38 delivery of services, including programmatic, administrative and indirect
39 costs in providing services in rural and urban Arizona.

40 ~~C. D. Starting on October 1, 2002,~~ The department and the
41 administration shall provide each of their reports to the joint legislative
42 budget committee and the administration by October 1 of each year.

43 ~~D.~~ E. The department shall include the results of the study in its
44 yearly capitation rate request to the administration.

1 ~~E.~~ F. If results of the study are not completely incorporated into
2 the capitation rate, the ~~Arizona health care cost containment system~~
3 administration shall provide a report to the joint legislative budget
4 committee within thirty days of setting the final capitation rate, ~~discussing~~
5 ~~INCLUDING~~ reasons for differences between the rate and the study.

6 Sec. 11. Section 36-3403, Arizona Revised Statutes, is amended to
7 read:

8 36-3403. Powers and duties of the deputy director; study;
9 capitation rates

10 A. The deputy director may, on approval of the director:

11 1. Employ professional, secretarial and clerical staff as are
12 determined necessary by the director to carry out the functions and duties of
13 the division, subject to legislative appropriation.

14 2. Contract for the services of consultants and other persons which
15 are reasonably necessary to enable the division to carry out its functions
16 and duties, subject to legislative appropriation.

17 3. Contract and incur obligations which are reasonably necessary
18 within the general scope of the division.

19 4. Adopt rules which are necessary to carry out the requirements of
20 the division.

21 5. Contract or enter into intergovernmental agreements with other
22 public and private nonprofit agencies and entities.

23 6. Use monies, facilities or services to provide matching
24 contributions under federal or other programs which further the objectives
25 and programs of the division.

26 7. Accept gifts, grants, matching monies or direct payments from
27 public or private agencies or private persons and enterprises for the conduct
28 of programs which are consistent with the general purposes and objectives of
29 the division.

30 8. Lease at fair market value real property currently occupied by the
31 southern Arizona mental health center for the purposes of operating a private
32 nonprofit behavioral health care facility. Monies collected from the lease
33 of the real property shall be deposited into the building renewal fund
34 established pursuant to section 36-545.09.

35 B. The deputy director shall administer:

36 1. Unified mental health programs, to include the functions of the
37 state hospital and community mental health.

38 2. Addictive behavior programs to include alcohol and drug abuse.

39 C. Notwithstanding any other law the deputy director may waive or
40 reduce the requirements for local match.

41 D. The superintendent of the Arizona state hospital shall be appointed
42 by the deputy director, subject to the approval of the director, and shall
43 report directly to the deputy director.

44 E. The department shall contract with an independent consulting firm
45 for an annual study of the adequacy and appropriateness of title XIX

1 reimbursement rates to providers of behavioral health services. The
2 department may require, and the department's contracted providers shall
3 provide, financial data to the department in the format prescribed by the
4 department to assist in the study. A complete study of reimbursement rates
5 shall be completed no less than once every five years. The department shall
6 provide the report to the joint legislative budget committee and the Arizona
7 health care cost containment system ADMINISTRATION by October 1, 2002, ~~and~~
8 BY OCTOBER 1 OF each year thereafter. The department shall include the
9 results of the study in its yearly capitation request to the Arizona health
10 care cost containment system ADMINISTRATION. If results of the study are not
11 completely incorporated into the capitation rate, the Arizona health care
12 cost containment system administration shall provide a report to the joint
13 legislative budget committee within thirty days of setting the final
14 capitation rate, ~~discussing~~ INCLUDING reasons for differences between the
15 rate and the study.

16 F. CAPITATION RATE ADJUSTMENTS SHALL BE LIMITED TO UTILIZATION OF
17 EXISTING SERVICES AND INFLATION UNLESS POLICY CHANGES, INCLUDING CREATION OR
18 EXPANSION OF PROGRAMS, HAVE BEEN APPROVED BY THE LEGISLATURE.

19 Sec. 12. Repeal

20 Section 36-3415, Arizona Revised Statutes, is repealed.

21 Sec. 13. Title 36, chapter 34, article 1, Arizona Revised Statutes, is
22 amended by adding a new section 36-3415, to read:

23 36-3415. Children's autism services; contracts

24 SUBJECT TO LEGISLATIVE APPROPRIATION, THE DEPARTMENT MAY PROVIDE
25 CHILDREN'S AUTISM SERVICES TO SERVE CHILDREN THROUGH FIVE YEARS OF AGE WHO
26 HAVE, OR WHO ARE AT RISK OF HAVING, AUTISM BY ENTERING INTO CONTRACTS WITH
27 THE FOLLOWING PROVIDERS FOR THE FOLLOWING SERVICES:

28 1. AN ESTABLISHED FIRM THAT SPECIALIZES IN AUTISM SERVICES AND RELATED
29 DISORDERS AND THAT EMPLOYS AT LEAST FIVE NATIONALLY BOARD CERTIFIED BEHAVIOR
30 ANALYSTS, ONE OF WHOM IS A STATE-LICENSED PSYCHOLOGIST. THE CONTRACT SHALL
31 BE FOR SERVICES THAT UTILIZE TECHNIQUES OF DISCRETE TRIAL AND NATURAL
32 ENVIRONMENT INTENSIVE BEHAVIORAL TREATMENT THROUGH APPLIED BEHAVIORAL
33 ANALYSIS.

34 2. AN AUTISM AND RESEARCH FIRM THAT IS BASED IN THIS STATE AND THAT
35 HAS RAISED AT LEAST FIFTEEN MILLION DOLLARS OF PRIVATE SECTOR MONIES. THE
36 CONTRACT SHALL BE FOR PROVIDING TODDLERS WITH AUTISM SERVICES THAT UTILIZE
37 INTENSIVE EARLY INTERVENTION.

38 Sec. 14. Section 38-654, Arizona Revised Statutes, is amended to read:

39 38-654. Special employee health insurance trust fund; purpose;
40 investment of monies; use of monies; exemption from
41 lapsing; annual report

42 A. There is established a special employee health insurance trust fund
43 for the purpose of administering the state employee health insurance benefit
44 plans. The fund shall consist of legislative appropriations, monies
45 collected from the employer and employees for the health insurance benefit

1 plans and investment earnings on monies collected from employees. The fund
2 shall be administered by the director of the department of administration.
3 Monies in the fund that are determined by the legislature to be for
4 administrative expenses of the department of administration, including monies
5 authorized by subsection D, paragraph 4 of this section, are subject to
6 legislative appropriation.

7 B. On notice from the department of administration, the state
8 treasurer shall invest and divest monies in the fund as provided by section
9 35-313, and monies earned from investment shall be credited to the fund.
10 There shall be a separate accounting of monies contributed by the employer,
11 monies collected from state employees and investment earnings on monies
12 collected from employees. Monies collected from state employees for health
13 insurance benefit plans shall be expended prior to expenditure of monies
14 contributed by the employer.

15 C. The director of the department of administration may authorize the
16 employer health insurance contributions by fund to be payable in advance
17 whether the budget unit is funded in whole or in part by state monies. By
18 July 15 each year, the joint legislative budget committee staff shall
19 determine the amount appropriated for employer health insurance
20 contributions. The department of administration may transfer to the special
21 employee health insurance trust fund in whole or in part the amount
22 appropriated to budget units for employer health insurance contributions as
23 deemed necessary.

24 D. Monies in the fund shall be used by the department of
25 administration for the following purposes for the benefit of officers and
26 employees who participate in a health insurance benefit plan pursuant to this
27 article:

28 1. To administer a health insurance benefit program for state officers
29 and employees.

30 2. To pay health insurance premiums, claims costs and related
31 administrative expenses.

32 3. To apply against future premiums, claims costs and related
33 administrative expenses.

34 4. To apply the equivalent of not more than one dollar fifty cents for
35 each employee for each month to administer applicable federal and state laws
36 relating to health insurance benefit programs and to design, implement and
37 administer improvements to the employee health insurance or benefit program.

38 E. ~~The provisions of~~ Subsection D of this section shall not be
39 construed to require that all monies in the special employee health insurance
40 trust fund shall be used within any one or more fiscal years. Any person who
41 is no longer a state employee or an employee who is no longer a participant
42 in a health insurance plan under contract with the department of
43 administration shall have no claim upon monies in the fund.

44 F. Monies deposited in or credited to the fund are exempt from the
45 provisions of section 35-190 relating to lapsing of appropriations.

1 G. Claims for services rendered prior to July 1, 1989 shall not be
2 paid from the special employee health insurance trust fund.

3 H. The department of administration shall ~~prepare~~ SUBMIT an annual
4 report on the financial ~~activity~~ STATUS of the special employee insurance
5 trust fund TO THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE
6 HOUSE OF REPRESENTATIVES, THE CHAIRPERSONS OF THE HOUSE AND SENATE
7 APPROPRIATIONS COMMITTEES AND THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF BY
8 MARCH 1 OF EACH YEAR. THE REPORT SHALL INCLUDE:

9 1. THE ACTUARIAL ASSUMPTIONS AND A DESCRIPTION OF THE METHODOLOGY USED
10 TO SET PREMIUMS AND RESERVE BALANCE TARGETS FOR THE HEALTH INSURANCE BENEFIT
11 PROGRAM FOR THE CURRENT PLAN YEAR.

12 2. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE
13 BENEFIT PROGRAM FOR THE PREVIOUS PLAN YEAR.

14 3. AN ANALYSIS OF THE ACTUARIAL SOUNDNESS OF THE HEALTH INSURANCE
15 BENEFIT PROGRAM FOR THE CURRENT PLAN YEAR, BASED ON BOTH YEAR-TO-DATE
16 EXPERIENCE AND TOTAL EXPECTED EXPERIENCE.

17 4. A PRELIMINARY ESTIMATE OF THE PREMIUMS AND RESERVE BALANCE TARGETS
18 FOR THE NEXT PLAN YEAR, INCLUDING THE ACTUARIAL ASSUMPTIONS AND A DESCRIPTION
19 OF THE METHODOLOGY USED.

20 Sec. 15. Section 41-1542, Arizona Revised Statutes, is amended to
21 read:

22 41-1542. Governor's council on workforce policy; duties

23 A. The governor by executive order may establish a governor's council
24 on workforce policy. If the governor establishes a governor's council on
25 workforce policy, the council shall include at least the following members:

26 1. The director of the department of commerce or the director's
27 designee.

28 2. The director of the department of economic security or the
29 director's designee.

30 3. The superintendent of public instruction or the superintendent's
31 designee.

32 4. One representative from a rural community college district who is
33 appointed by the governor.

34 5. One representative from an urban community college district who is
35 appointed by the governor.

36 6. One representative from organized labor who is appointed by the
37 governor.

38 7. Representatives from small and large businesses who are appointed
39 by the governor and who shall compose at least fifty-one per cent of the
40 total membership of the council.

41 B. The governor's council on workforce policy that is established by
42 executive order shall develop program guidelines for selection criteria and
43 program operations. These guidelines shall include the following areas:

44 1. Project application procedures.

45 2. Categories of allowable and excluded project costs.

1 3. Limitations relating to partial or total project costs and interim
2 and end of project reporting requirements.

3 4. Procedures to assure that both urban and rural economic interests
4 are addressed.

5 5. Criteria to evaluate effective use of training monies.

6 6. Criteria to determine the annual qualifying wage rate per county so
7 that the qualifying wage rate reflects current economic conditions and the
8 needs of local businesses in the county.

9 C. The governor's council on workforce policy shall meet at least four
10 times each year and shall submit a written annual report to the governor, the
11 president of the senate, ~~and~~ the speaker of the house of representatives **AND**
12 **THE JOINT LEGISLATIVE BUDGET COMMITTEE** by ~~July 31~~ **SEPTEMBER 1** of each year.
13 This report shall include:

14 1. The qualifying wage rate per county.

15 2. **THE** number of businesses recruited.

16 3. **THE** number of approved applicants.

17 4. **THE** number of persons hired.

18 5. **THE** number of incumbent workers trained.

19 6. **THE** racial and ethnic background of persons trained.

20 7. **THE** number of persons trained by job skill category.

21 8. **THE** average salaries paid.

22 9. **THE** breakdown of full-time and part-time jobs.

23 10. **THE** information on the efforts to leverage other training
24 resources.

25 11. A summary of the information considered pursuant to section
26 41-1543.

27 12. **THE** number of grant applications denied due to either of the
28 following:

29 (a) Insufficient available grant money.

30 (b) The inability to meet the qualifying wage requirements pursuant to
31 ~~section 41-1542~~, subsection B, paragraph 6 **OF THIS SECTION**.

32 13. **A SUMMARY OF ANNUAL SPENDING BY STATE GOVERNMENT ON WORKFORCE**
33 **DEVELOPMENT, INCLUDING DETAILS ON EACH STATE PROGRAM THAT PARTICIPATES IN**
34 **WORKFORCE DEVELOPMENT IN ANY STATE AGENCY OR COMMUNITY COLLEGE. THE REPORT**
35 **SHALL INCLUDE:**

36 (a) **ACTUAL EXPENDITURES FROM STATE, FEDERAL OR OTHER SOURCES FOR THE**
37 **PRIOR FISCAL YEAR, BY FUND, PROGRAM AND AGENCY AND IN TOTAL.**

38 (b) **ESTIMATED EXPENDITURES FROM STATE, FEDERAL OR OTHER SOURCES FOR**
39 **THE CURRENT FISCAL YEAR, BY FUND, PROGRAM AND AGENCY AND IN TOTAL.**

40 (c) **FEDERALLY MANDATED PERFORMANCE MEASURE RESULTS BY PROGRAM,**
41 **INCLUDING MEASURES FOR THE PREVIOUS TWO FISCAL YEARS AND FOR THE CURRENT**
42 **FISCAL YEAR.**

43 (d) **AGENCY OR STATEWIDE PERFORMANCE MEASURE RESULTS AS DESCRIBED IN**
44 **SUBSECTION E OF THIS SECTION BY PROGRAM, INCLUDING MEASURES FOR THE PREVIOUS**
45 **TWO FISCAL YEARS AND FOR THE CURRENT FISCAL YEAR.**

1 (e) A STRATEGIC PLAN THAT IDENTIFIES:

2 (i) EACH WORKFORCE DEVELOPMENT PROGRAM IN THIS STATE.

3 (ii) HOW THE STATE PROGRAMS MET ALL PERFORMANCE MEASURES IN THE
4 PREVIOUS FISCAL YEAR.

5 D. EACH STATE AGENCY AND COMMUNITY COLLEGE SHALL SUBMIT TO THE
6 GOVERNOR'S COUNCIL ON WORKFORCE POLICY THE INFORMATION NECESSARY TO COMPILE
7 THE REPORT DESCRIBED IN SUBSECTION C, PARAGRAPH 13 OF THIS SECTION BY AUGUST
8 1 OF EACH YEAR.

9 E. THE GOVERNOR'S COUNCIL ON WORKFORCE POLICY SHALL COORDINATE WITH
10 STATE AGENCIES AND STATE COMMUNITY COLLEGES TO PRODUCE OUTCOME-BASED
11 PERFORMANCE MEASURES FOR ALL STATE WORKFORCE DEVELOPMENT PROGRAMS.

12 Sec. 16. Repeal

13 Laws 2004, chapter 117, sections 12 and 13 are repealed.

14 Sec. 17. County acute care contribution; fiscal year 2006-2007

15 A. Notwithstanding section 11-292, Arizona Revised Statutes, as
16 amended by this act, for fiscal year 2006-2007 for the provision of
17 hospitalization and medical care, the counties shall contribute the following
18 amounts:

19	1. Apache	\$ 268,800
20	2. Cochise	\$ 2,214,800
21	3. Coconino	\$ 742,900
22	4. Gila	\$ 1,413,200
23	5. Graham	\$ 536,200
24	6. Greenlee	\$ 190,700
25	7. La Paz	\$ 212,100
26	8. Maricopa	\$31,192,200
27	9. Mohave	\$ 1,237,700
28	10. Navajo	\$ 310,800
29	11. Pima	\$14,951,800
30	12. Pinal	\$ 2,715,600
31	13. Santa Cruz	\$ 482,800
32	14. Yavapai	\$ 1,427,800
33	15. Yuma	\$ 1,325,100

34 B. If a county does not provide funding as specified in subsection A
35 of this section, the state treasurer shall subtract the amount owed by the
36 county to the Arizona health care cost containment system and long-term care
37 system funds established by section 36-2913, Arizona Revised Statutes, from
38 any payments required to be made by the state treasurer to that county
39 pursuant to section 42-5029, subsection D, paragraph 2, Arizona Revised
40 Statutes, plus interest on that amount pursuant to section 44-1201, Arizona
41 Revised Statutes, retroactive to the first day the funding was due. If the
42 monies the state treasurer withholds are insufficient to meet that county's
43 funding requirements as specified in subsection A of this section, the state
44 treasurer shall withhold from any other monies payable to that county from
45 whatever state funding source is available an amount necessary to fulfill

1 that county's requirement. The state treasurer shall not withhold
2 distributions from the highway user revenue fund pursuant to title 28,
3 chapter 18, article 2, Arizona Revised Statutes.

4 C. Payment of an amount equal to one-twelfth of the total amount
5 determined pursuant to subsection A of this section shall be made to the
6 state treasurer on or before the fifth day of each month. On request from
7 the director of the Arizona health care cost containment system
8 administration, the state treasurer shall require that up to three months'
9 payments be made in advance, if necessary.

10 D. The state treasurer shall deposit the amounts paid pursuant to
11 subsection C of this section and amounts withheld pursuant to subsection B of
12 this section in the Arizona health care cost containment system and long-term
13 care system funds established by section 36-2913, Arizona Revised Statutes.

14 E. If payments made pursuant to subsection C of this section exceed
15 the amount required to meet the costs incurred by the Arizona health care
16 cost containment system for the hospitalization and medical care of those
17 persons defined as an eligible person pursuant to section 36-2901, paragraph
18 6, subdivisions (a), (b) and (c), Arizona Revised Statutes, the director of
19 the Arizona health care cost containment system administration may instruct
20 the state treasurer either to reduce remaining payments to be paid pursuant
21 to this section by a specified amount or to provide to the counties specified
22 amounts from the Arizona health care cost containment system and long-term
23 care system funds.

24 F. It is the intent of the legislature that the Maricopa county
25 contribution pursuant to subsection A of this section be reduced in each
26 subsequent year according to the changes in the GDP price deflator. For the
27 purposes of this subsection, "GDP price deflator" has the same meaning
28 prescribed in section 41-563, Arizona Revised Statutes.

29 Sec. 18. ALTCS; county contributions

30 Notwithstanding section 11-292, Arizona Revised Statutes, as amended by
31 this act, county contributions for the Arizona long-term care system for
32 fiscal year 2006-2007 are as follows:

33	1. Apache	\$ 575,600
34	2. Cochise	\$ 5,982,600
35	3. Coconino	\$ 1,727,000
36	4. Gila	\$ 3,508,900
37	5. Graham	\$ 959,300
38	6. Greenlee	\$ 215,200
39	7. La Paz	\$ 811,200
40	8. Maricopa	\$145,459,800
41	9. Mohave	\$ 8,065,900
42	10. Navajo	\$ 2,381,000
43	11. Pima	\$ 44,836,100
44	12. Pinal	\$ 11,262,100
45	13. Santa Cruz	\$ 2,295,400

1	4. Gila	\$ 65,900
2	5. Graham	\$ 46,800
3	6. Greenlee	\$ 12,000
4	7. La Paz	\$ 24,900
5	8. Mohave	\$ 187,400
6	9. Navajo	\$ 122,800
7	10. Pima	\$1,115,900
8	11. Pinal	\$ 218,300
9	12. Santa Cruz	\$ 51,600
10	13. Yavapai	\$ 206,200
11	14. Yuma	\$ 183,900

12 B. If a county does not provide funding as specified in subsection A
13 of this section, the state treasurer shall subtract the amount owed by the
14 county to the Arizona health care cost containment system fund from any
15 payments required to be made by the state treasurer to that county pursuant
16 to section 42-5029, subsection D, paragraph 2, Arizona Revised Statutes, plus
17 interest on that amount pursuant to section 44-1201, Arizona Revised
18 Statutes, retroactive to the first day the funding was due. If the monies
19 the state treasurer withholds are insufficient to meet that county's funding
20 requirement as specified in subsection A of this section, the state treasurer
21 shall withhold from any other monies payable to that county from whatever
22 state funding source is available an amount necessary to fulfill that
23 county's requirement. The state treasurer shall not withhold distributions
24 from the highway user revenue fund pursuant to title 28, chapter 18, article
25 2, Arizona Revised Statutes.

26 C. Payment of an amount equal to one-twelfth of the total monies
27 prescribed pursuant to subsection A of this section shall be made to the
28 state treasurer on or before the fifth day of each month. On request from
29 the director of the Arizona health care cost containment system
30 administration, the state treasurer shall require that up to three months'
31 payments be made in advance, if necessary.

32 D. The state treasurer shall deposit the monies paid pursuant to
33 subsection C of this section in the Arizona health care cost containment
34 system fund established by section 36-2913, Arizona Revised Statutes.

35 E. In fiscal year 2006-2007, the sum of \$2,646,200 withheld pursuant
36 to subsection A or B of this section, as applicable, is allocated for the
37 county acute care contribution for the provision of hospitalization and
38 medical care services administered by the Arizona health care cost
39 containment system administration.

40 Sec. 21. Acute care; redetermination; selected population;
41 report

42 A. Notwithstanding any other law, for fiscal year 2006-2007, the
43 Arizona health care cost containment system administration shall determine
44 continued eligibility for acute care services every six months for any adult
45 who is at least twenty-one years of age and who is being redetermined for

1 temporary assistance for needy families cash benefits in the department of
2 economic security.

3 B. Acute care redeterminations pursuant to subsection A shall start on
4 the effective date of this act and shall occur simultaneously with
5 redetermination for temporary assistance for needy families cash benefits.

6 C. The administration shall report to the president of the senate, the
7 speaker of the house of representatives and the joint legislative budget
8 committee on or before February 10, 2007 on the effects through January of
9 changing the redetermination period for the population described in
10 subsection A. The report shall include the number of redetermination letters
11 sent out, the number of redetermination interviews conducted and the number
12 of redetermination interviews resulting in continued acute care benefits.

13 Sec. 22. Adoption services; family preservation projects;
14 reversion

15 Notwithstanding any other law, any unexpended and unencumbered monies
16 remaining from the \$1,000,000 appropriated to the department of economic
17 security adoption services - family preservation projects special line item
18 by Laws 2005, chapter 286, section 29 revert to the federal temporary
19 assistance for needy families block grant at the end of fiscal year
20 2005-2006.

21 Sec. 23. Arizona state hospital; privatization report

22 The department of health services shall report to the joint legislative
23 budget committee by July 1, 2007 on whether the department intends to
24 privatize the state hospital pursuant to section 36-214, Arizona Revised
25 Statutes. If the department intends to privatize the state hospital, the
26 report shall contain a time frame for issuing a request for proposals. If
27 the department decides against privatizing the state hospital, the report
28 shall include the department's rationale for not doing so.

29 Sec. 24. Child care eligibility levels; report

30 Notwithstanding section 46-803, Arizona Revised Statutes, for fiscal
31 year 2006-2007, the department of economic security may reduce maximum income
32 eligibility levels for child care assistance in order to manage within
33 appropriated and available monies. The department shall notify the joint
34 legislative budget committee of any change in maximum income eligibility
35 levels for child care within fifteen days after implementing that change.

36 Sec. 25. Competency restoration treatment; county and city
37 reimbursement; fiscal year 2006-2007; deposit; tax
38 withholding

39 A. Notwithstanding section 13-4512, Arizona Revised Statutes, for
40 counties with a population of more than eight hundred thousand persons and
41 for all cities, if the state pays the costs of a defendant's inpatient
42 competency restoration treatment pursuant to section 13-4512, Arizona Revised
43 Statutes, the city or county shall reimburse the department of health
44 services for eighty-six per cent of these costs for fiscal year 2006-2007.
45 The department shall deposit the monies, pursuant to sections 35-146 and

1 35-147, Arizona Revised Statutes, in the Arizona state hospital fund
2 established by section 36-545.08, Arizona Revised Statutes.

3 B. Each city and county shall make the reimbursements for these costs
4 as specified in subsection A of this section within thirty days after a
5 request by the department. If the city or county does not make the
6 reimbursement, the superintendent of the Arizona state hospital shall notify
7 the state treasurer of the amount owed and the treasurer shall withhold the
8 amount, including any additional interest as provided in section 42-1123,
9 Arizona Revised Statutes, from any transaction privilege tax distributions to
10 the city or county. The treasurer shall deposit the withholdings, pursuant
11 to sections 35-146 and 35-147, Arizona Revised Statutes, in the Arizona state
12 hospital fund established by section 36-545.08, Arizona Revised Statutes.

13 Sec. 26. Child care reforms; compliance; reversion

14 A. Notwithstanding any other law, the department of economic security
15 shall revert \$800,000 from its fiscal year 2006-2007 state general fund
16 operating budget in the division of employment and rehabilitation services if
17 the department of economic security has not fully implemented the provisions
18 of section 46-803, Arizona Revised Statutes, as amended by Laws 2005, chapter
19 328, section 11, and section 46-805, Arizona Revised Statutes, as amended by
20 Laws 2005, chapter 328, section 12, by January 1, 2007.

21 B. The department of economic security shall report to the joint
22 legislative budget committee when all the provisions of section 46-803,
23 Arizona Revised Statutes, as amended by Laws 2005, chapter 328, section 11,
24 and section 46-805, Arizona Revised Statutes, as amended by Laws 2005,
25 chapter 328, section 12, have been fully implemented.

26 Sec. 27. Rule making; exemptions

27 A. The department of economic security is exempt from the rule making
28 requirements of title 41, chapter 6, Arizona Revised Statutes, through
29 January 1, 2007 to implement section 46-803, Arizona Revised Statutes, as
30 amended by Laws 2005, chapter 328, section 11, and section 46-805, Arizona
31 Revised Statutes, as amended by Laws 2005, chapter 328, section 12.

32 B. The Arizona health care cost containment system administration is
33 exempt from the rule making requirements of title 41, chapter 6, Arizona
34 Revised Statutes, through January 1, 2007 to implement cost sharing measures
35 in the general appropriations act and section 31 of this act.

36 C. The department of health services is exempt from the rule making
37 requirements of title 41, chapter 6, Arizona Revised Statutes, through
38 January 1, 2007 to implement vital records fees pursuant to section 29 of
39 this act.

40 Sec. 28. Eligibility determination privatization; request for
41 proposals

42 Notwithstanding any other law, the Arizona health care cost containment
43 system administration shall issue a request for proposals and may execute a
44 contract to privatize eligibility determination and redetermination services
45 by March 31, 2007. The request for proposals shall focus on how the

1 privatization process would save the state money compared to its current
2 system of eligibility determination and redetermination. The Arizona health
3 care cost containment system administration shall submit the request for
4 proposals before release and the contract before award to the joint
5 legislative budget committee for review.

6 Sec. 29. Vital records; fees; fiscal year 2006-2007

7 The fees that are deposited in the vital records electronic systems
8 fund established by section 36-341.01, Arizona Revised Statutes, shall be
9 revised by the state registrar so that the fees generate no more than
10 \$500,000 in revenue for that fund in fiscal year 2006-2007.

11 Sec. 30. AHCCCS extraordinary operating costs reimbursement
12 recommendations; report

13 A. The Arizona health care cost containment system administration
14 shall evaluate the methodology used to reimburse hospitals for extraordinary
15 operating costs pursuant to section 36-2903.01, subsection H, paragraph 10,
16 Arizona Revised Statutes, and shall report its findings to the joint
17 legislative budget committee by October 15, 2006.

18 B. At a minimum, the report shall include:

19 1. Recommendations for revising the methodology for extraordinary
20 operating costs reimbursement, including options to reduce extraordinary
21 operating costs reimbursement among all categories of services.

22 2. An evaluation of whether certain types of hospital stays, including
23 maternity care and delivery, do not incur extraordinary operating costs and
24 should be excluded from extraordinary operating costs reimbursement.

25 3. Estimated cost savings for reduced extraordinary operating costs
26 methodologies and, if applicable, any corresponding higher costs for revised
27 reimbursements to hospitals for inpatient services related to the revised
28 extraordinary operating costs methodology.

29 4. Recommendations regarding whether certain types of services,
30 including cardiac catheters, should be reimbursed based on a fixed fee for a
31 predetermined length of stay.

32 5. Statutory changes required to implement the report's
33 recommendations.

34 C. The administration shall consider the practices of other states,
35 including the use of rates based on diagnosis related groups for both
36 inpatient and extraordinary operating costs reimbursements.

37 Sec. 31. Children's health insurance program; parents
38 eligibility; fiscal year 2006-2007

39 A. Notwithstanding any other law, for fiscal year 2006-2007, a parent
40 of a child who is eligible for or enrolled in the children's health insurance
41 program or a parent who has a child enrolled under title 36, chapter 29,
42 article 1, Arizona Revised Statutes, but who would be eligible for the
43 children's health insurance program is eligible for the children's health
44 insurance program prescribed in title 36, chapter 29, article 4, Arizona

1 Revised Statutes, and may apply for eligibility based on an income that does
2 not exceed two hundred per cent of the federal poverty level.

3 B. In determining eligibility pursuant to subsection A of this
4 section, the administration shall apply other eligibility requirements
5 pursuant to sections 36-2981 and 36-2983, Arizona Revised Statutes, and to
6 rules adopted by the administration. If the parent is determined eligible
7 pursuant to this section, except as provided in subsection C of this section,
8 all other requirements established by the administration by rule, including
9 available services, pursuant to title 36, chapter 29, article 4, Arizona
10 Revised Statutes, apply.

11 C. Persons receiving services under this section shall make premium
12 payments on a monthly basis equaling five per cent of the household's net
13 income as permitted by the federal deficit reduction act of 2005 (P.L.
14 109-171). This premium amount shall apply to the entire household unit,
15 regardless of the number of parents or children participating. The cost
16 sharing schedule in the general appropriations act for fiscal year 2006-2007
17 shall not be imposed if the household pays the five per cent premium.

18 Sec. 32. Appropriations; residency programs; exemption

19 A. The following sums are appropriated to the Arizona health care cost
20 containment system in fiscal year 2006-2007:

21 1. \$1,500,000 from the state general fund and \$4,500,000 in total
22 expenditure authority for new and expanded graduate medical education
23 programs pursuant to section 36-2903.01, subsection H, paragraph 9, Arizona
24 Revised Statutes, as amended by this act.

25 2. \$1,000,000 from the state general fund for deposit in the hospital
26 loan residency fund as established by section 36-2921, Arizona Revised
27 Statutes, as added by this act.

28 B. The appropriations made in subsection A of this section are exempt
29 from the provisions of section 35-190, Arizona Revised Statutes, relating to
30 lapsing of appropriations.

31 Sec. 33. Appropriations; autism services; exemption

32 A. The sum of \$2,500,000 is appropriated from the medically needy
33 account of the tobacco tax and health care fund established by section
34 36-774, Arizona Revised Statutes, in fiscal year 2006-2007 for implementation
35 of autism services for the following contracts and purposes:

36 1. \$200,000 to the department of economic security for a contract for
37 training and oversight of children's autism services pursuant to section
38 36-574, Arizona Revised Statutes, as added by this act.

39 2. \$1,800,000 to the department of health services for a contract
40 pursuant to section 36-3415, paragraph 1, Arizona Revised Statutes, as added
41 by this act, for autism services that utilize techniques of discrete trial
42 and natural environment intensive behavioral treatment through applied
43 behavioral analysis.

1 3. \$500,000 to the department of health services for a contract
2 pursuant to section 36-3415, paragraph 2, Arizona Revised Statutes, as added
3 by this act, for autism services that utilize intensive early intervention.

4 B. The appropriations made in subsection A of this section are exempt
5 from the provisions of section 35-190, Arizona Revised Statutes, relating to
6 lapsing of appropriations, through June 30, 2008. Monies remaining
7 unexpended and unencumbered from the appropriations revert to the medically
8 needy account of the tobacco tax and health care fund.

9 Sec. 34. Children's autism services; evaluations; reports

10 The department of economic security and the department of health
11 services shall each conduct an evaluation of the children's autism services
12 provided pursuant to sections 36-574 and 36-3415, Arizona Revised Statutes,
13 respectively, as added by this act, and submit a report of the findings and
14 recommendations to the governor, the speaker of the house of representatives,
15 the president of the senate and the joint legislative budget committee on or
16 before March 1, 2007. The department shall provide a copy of the report to
17 the secretary of state and the director of the Arizona state library,
18 archives and public records. The report shall include at least the
19 following:

- 20 1. The number of persons receiving autism services at each setting.
21 2. The length of time each participant received autism services.
22 3. The cost of services provided to each participant by year.
23 4. The impact of the services in rural and urban areas of this state.
24 5. A recommendation on the success of the services and whether to
25 continue them on a statewide basis.

26 6. Any other information that the department of economic security or
27 the department of health services determines is necessary to help evaluate
28 the efficacy and cost effectiveness of the services.

29 Sec. 35. Health insurance premiums; department of administration

30 For fiscal year 2006-2007, the department of administration shall not
31 implement a differentiated health insurance premium based on the integrated
32 or nonintegrated status of a health insurance provider available through the
33 state employee health insurance program beginning October 1, 2006.

34 Sec. 36. Health insurance benefits; legislative approval

35 Notwithstanding any other law, the department of administration shall
36 not make changes to the benefit design of the health insurance benefit
37 program in fiscal year 2006-2007 unless those changes have been approved by
38 the legislature.

39 Sec. 37. Vital records; fund balances; appropriation

40 In addition to any other appropriation, any amount in the balance of
41 the vital records electronic systems fund established by section 36-341.01,
42 Arizona Revised Statutes, as amended by this act, is appropriated to the
43 department of health services in fiscal year 2006-2007.

1 Sec. 38. Retroactivity

2 A. Section 36-341, Arizona Revised Statutes, as added by Laws 2004,
3 chapter 117, section 8, as amended by this act, and section 36-341.01,
4 Arizona Revised Statutes, as amended by this act, apply retroactively to June
5 30, 2006.

6 B. Section 36-2903.01, Arizona Revised Statutes, as amended by this
7 act, applies retroactively to from and after June 30, 2006.

8 C. Sections 3, 16 and 22 of this act are effective retroactively to
9 June 30, 2006.